

Manager Commentary

Developments on the Fund were fairly muted during August and September which unfortunately saw three investments noticeably decline in value. The marking-to-market of the underlying collateral in Shipping Deal 1 in line with valuations provided by an independent shipping agent was the largest detractor to performance. The Liquidator of Aarkad advised investors to expect no return from the fund directly and we have been forced to mark the position down in line with this, although this does not take in to account any realisations from proceedings that may be brought by the Liquidator against third parties, something which is currently being investigated. And thirdly further costs impacted the value of the Santa Maria position. However, on a more positive note we are pleased to be able to report that subsequent to the date of this factsheet, the sale of the vessel has now been agreed with an upfront payment received from the purchaser. There are still a number of years until this will be paid for in full but we should at least now see an end to the erosion of value caused by maintenance and litigation costs. Further positive news continued in the form of the Lonscale purchasers once again making their scheduled repayment during the period followed by two further subsequent installments since. Every payment received on this deal is a fillip to performance as we continue to ascribe no value to any remaining cash owed until it is actually received. The Cloud also continues its monthly repayments and will be fully repaid and exited before the end of the year. In November the Fund also settled the transactions with investors that were part of the Tender Offer. This allowed the Fund to return in excess of £14.5m to shareholders as we continue to work towards the objective of returning investor capital. Please note that performance shown is for both August and September.

Share Buybacks

A significant landmark in the process of providing liquidity to investors was reached on 31 March with the lifting of the suspension of trading. As at 17 November when these factsheets were finalised, the fund had spent £19.8m in buying back shares. Any investor wishing to sell in the market should request their stockbroker to contact the Channel Islands Stock Exchange market maker. Details can be found at www.cisx.com.

Fund Objective

The Investment Manager will manage the Fund's portfolio with a view to realising its assets within the shortest period of time consistent with achieving a reasonable realisation price for such assets and with the intention of disposing of all such assets within 5 years. Realisations will be managed, as far as possible, with a view to ensuring regular and consistent distributions of proceeds to Shareholders.

Holdings

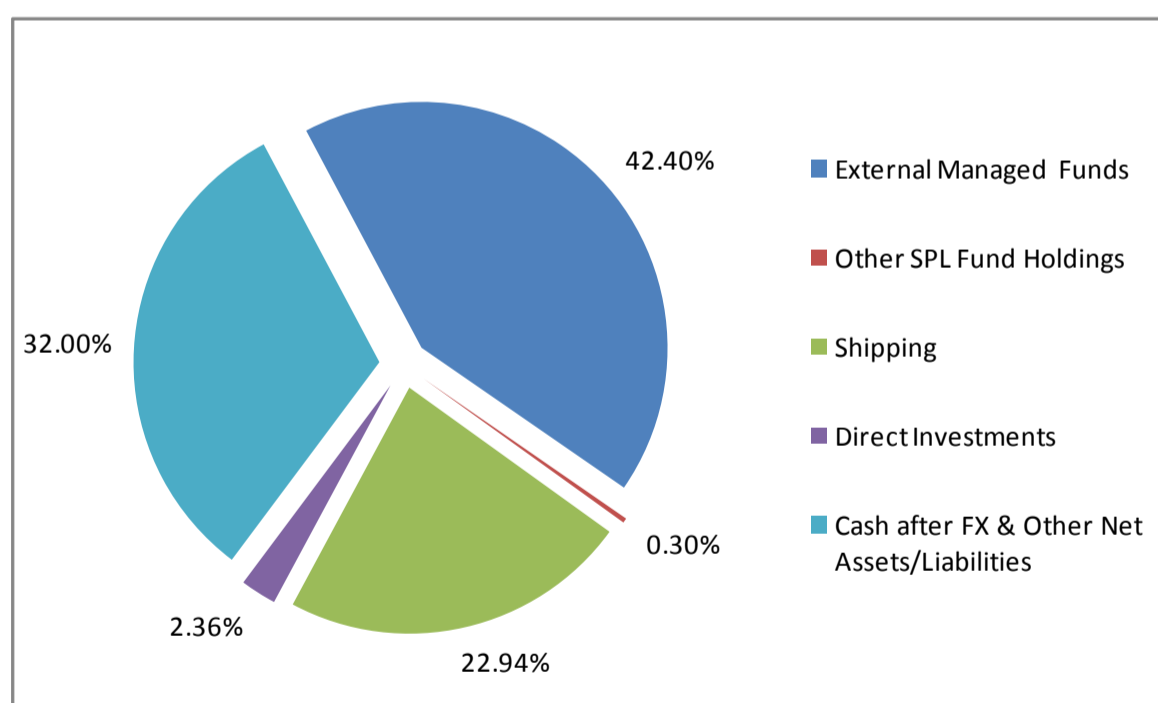
Investment	Currency of Investment	Value as at 31 Jul 10 (in GBP)	Cash Movement	Value as at 30 Sep 10 (in GBP)	Contribution to Overall Change in Net Assets in the Period	Comments / Additional Information
Shipping Deal 1	USD	13,092,487	(39,358)	12,151,587	(1.37%)	Small ongoing monitoring costs were incurred during the period all of which were more than offset by the scheduled repayment of accrued interest by the borrower. The decline in value has been caused by a decrease in the valuation of the underlying collateral based on an appraisal provided by an independent shipping valuation agent.
BMS Specialist Debt Fund Ltd	GBP	8,588,775	-	8,591,568	0.00%	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Medley Opportunity Fund	USD	6,630,442	(132,381)	6,488,749	(0.01%)	Monthly fund revaluation based on the NAV provided by the fund's administrator. A small distribution was received in September and a further distribution has since been received in November.
Ark Royal Fund Ltd	USD	4,196,990	-	4,160,396	(0.06%)	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Noble Venture Finance II Fund	GBP	3,267,121	(10,387)	2,988,245	(0.41%)	Fund revaluation based on the monthly statement provided by the underlying fund manager. We have provisionally agreed the details for the process for unwinding the fund although we are still awaiting a formal shareholder vote.
Bond Capital Partners I Ltd	EUR	1,236,596	-	1,383,104	0.22%	Fund revaluation based on the quarterly report provided by the fund manager.
Growth Management Limited	USD	1,285,080	-	1,290,699	0.01%	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Execution Noble - Equity	GBP	1,266,725	-	1,265,732	(0.00%)	Further merger pending with Banco Espirio Santo de Investment but this is still awaiting multi-jurisdictional regulatory approval.
Santa Maria Linked Loan	EUR	1,390,090	243,347	1,228,471	(0.62%)	The sale of the vessel was finally agreed in November and an upfront payment was received from the purchaser. The new owner will shortly begin repairs required to make the vessel compliant with regulations which will allow it to trade and will take up to 9 months. Upon completion the borrower will begin making quarterly repayments over the following 3.5 years until the agreed sale price is met. Until this time we will monitor to ensure the purchaser is complying with agreed conditions and maintain a first charge over the vessel which can be utilised should these not be met.
Hedge Fund 1	USD	1,108,808	-	1,090,992	(0.03%)	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Pentagon Bernini Fund Ltd	USD	818,729	-	810,207	(0.01%)	This fund is currently suspended only providing irregular asset revaluations. The manager has advised that certain assets are due to be written down when the next NAV is published. A reserve was taken in May against the last administrator valuation in anticipation of these write downs. The manager advised of a further asset write down recently which has been reflected in the September valuation for the Fund.
Shipping Deal 3	EUR	721,056	-	752,604	0.05%	There has been no real movement on this asset since the last factsheet. The arbitration process continues and we hope to have more to report soon.
Shipping Deal 2	EUR	388,954	4,253	405,972	0.02%	There has been no real movement on this asset since the last factsheet. The arbitration process continues and we hope to have more to report soon.
The Cloud Loan Note	EUR	232,347	(98,788)	146,836	0.02%	Loan performing in line with expectations. Monthly principal and interest repayment received during August and September.
Hedge Fund 2	USD	136,833	-	74,018	(0.10%)	A settlement proposal has not yet been received but is expected imminently or the fund will be forced to seek bankruptcy protection. However, further information on the assets likely to be included in any offer suggest a decrease in the value of any return for the share class in which the SPL fund is invested in.
Lonscale Deferred Consideration	GBP	-	(102,567)	57,592	0.24%	Deferred Consideration payments received during September in line with the agreed schedule. Further payments have subsequently been received in October and November.

Tranquil Insurance Company Warrants	GBP	17,589	-	21,925	0.01%	Revaluation based on the latest management accounts.
BMS Finance Ltd - Warrant	GBP	12,593	-	4,486	(0.01%)	Revaluation based on the latest management accounts.
Aarkad Plc	USD	975,361	-	-	(1.48%)	The Liquidator reported in September that based on the anticipated realisations from the underlying portfolio there would be no recovery for investors. The value of this holding has therefore been written down in line with this. However, this estimate does not take in to account any realisations from proceedings that may be brought by the Liquidator against third parties. That said, any possible return via this route is both unknown in terms of quantum and timescale.
Financial Partners Loans	USD	-	-	-	-	
Arche Fund Ltd	USD	-	-	-	-	The Investment Manager for Arche is currently trying to negotiate a settlement with the leverage provider which would allow at least some return to investors. It is unclear if this will be successful so the NAV continues to be marked in line with expected return.
Stewardship International Fund Ltd	USD	-	-	-	-	The unwind of the fund continues but is taking longer than anticipated due to certain requirements in Bermuda where the fund is based. It is now not expected to be completed until some time in 2011 but still with minimal return to investors.
Holdings in Other SPL Funds						
SPL Treasury IC (AT1) Ltd	USD	176,895	-	176,895	-	
SPL Structured Finance (PF4) IC Ltd	GBP	14,226	-	13,703	(0.00%)	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Other						
Cash	GBP	20,336,042	(35,722)	20,705,663	0.62%	While the overall cash balance has increased, there has also been an increase in the value of cash due to currency movements.
Other Net Liabilities	GBP	(210,478)	171,603	(420,253)	(0.58%)	
Total		65,683,261		63,389,191		

Performance Over Last 12 Months

	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10
NAV per Share (£ Class)	0.7188	0.7081	0.6959	0.6925	0.7004	0.6945	0.6971	0.7151	0.7017	0.6846	0.6795	0.6607
% Change	(2.4%)	(1.5%)	(1.7%)	(0.5%)	1.1%	(0.8%)	0.4%	2.6%	(1.9%)	(2.4%)	(0.7%)	(2.8%)
NAV per Share (€ Class)	0.6271	0.6201	0.5920	0.5808	0.5698	0.5664	0.5862	0.6153	0.6301	0.6053	0.6046	0.5597
% Change	(2.4%)	(1.1%)	(4.5%)	(1.9%)	(1.9%)	(0.6%)	3.5%	5.0%	2.4%	(3.9%)	(0.1%)	(7.4%)

Investment Allocation



Additional Information

- The Fund is listed on the Channel Islands Stock Exchange (CISX) and official announcements relating to the Fund can be found on the exchange's website (www.cisx.com) under the 'CISX Market News' section.
- The financial year-end for the Fund is 31st March and the audited Report and Financial Statements can also be found on the CISX website.
- The Annual Management Charge for the Fund 1%.
- The Performance Fee for the Fund is 10% of performance above the Cumulative Hurdle Rate of three month LIBOR for the currency of the share class + 4%.
- The High Water Mark for the Fund will be reset as the higher of: i) The November end-of-month NAV, ii) The arithmetic average of the end-of-month NAV's, for the 9 data points between March and November 2009 inclusive subject to various adjustments. This will be published once it has been agreed by the board.
- The ISIN for the GBP Share Class is GG00B1LG1H76 and for the EUR Share Class is GG00B1M8X105.
- The Sedol for the GBP Share Class is B1LG1H7 and for the EUR Share Class is B1M8X10.
- Information relating to the Fund is also available on the SPL Funds website (www.splfunds.com).

Disclaimer

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